

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS
JANUARY 19, 2006

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors met on Thursday, January 19, 2006, at 1:00 P.M. in the 12th Floor Training Room, Parkway Towers, Nashville, Tennessee.

The following members were present: Robyn Askew, Tim Bolding, Gerald Reed for Riley Darnell, Winston Henning, Loretta Jercinovich, Eddie Latimer, Ann Butterworth for John Morgan, Janis McNeely, Alvin Nance, Ralph Perrey, Tim Pettus, Brad Rainey, Sharon Reynolds, Janice Cunningham for Dale Sims, and Carl Tindell.

The following members were absent: Bob Cooper, Dave Goetz, Gerald Konohia, and Jackie West.

Chairman Latimer called the meeting to order and opened the floor for public comment.

Bill Bruce stated that because of a law passed last year, it has become impractical for him to remain on the Board. He has submitted, with great regret, his resignation, but wanted to express to everyone how much he has enjoyed serving with the Agency and how much he appreciates what THDA does for the state. He remains committed to the mission of the Agency on a personal basis and commends the Agency for its activities in continuing that mission. Mr. Bruce stated that if there is anything he can do to help; he is ready, willing, and eager to do so. Chairman Latimer said that the Board accepts Mr. Bruce's resignation with great regret and said Mr. Bruce has been, and will continue to be, a great student and advocate of affordable housing. Chairman Latimer said that he is very saddened to lose Mr. Bruce and that Mr. Bruce is invited to every Board meeting going forward.

There were no other public comments.

The first item on the agenda was approval of the November 10, 2005, meeting minutes. Upon motion by Ms. Reynolds, seconded by Ms. Askew, the minutes were approved as distributed.

Chairman Latimer asked Mr. Fellman, Executive Director, to recognize staff. Mr. Fellman recognized the following staff members who are taking on new roles with the Agency: Debbie Reeves, formerly Assistant Director in the Homeownership Division, now Director of the new Business Development Division, and Raymond Gray, Division of Program Compliance, who has assumed responsibility for monitoring the 33 properties in THDA's portfolio under the Section 8 Contract Administration program. Next, Mr. Fellman introduced Barry Havens, the new Assistant Director in the Community Program Division. Mr. Fellman presented service awards to Linda Kellogg, Receptionist, for 10 years of service and Coralee Holloway, Director of Community Programs, for 15 years of service.

Mr. Fellman asked that each Board member see Toni Harris before leaving to have their picture taken for the Agency Picture Directory.

Chairman Latimer announced that Janis McNeely was appointed to serve on the Board as the mortgage bankers' representative. He then asked Ms. McNeely and the other Board members to briefly introduce themselves.

Chairman Latimer said the Monthly Board Report was the next item on the agenda. Mr. Fellman reported that the Agency received a year end allocation of 2005 tax exempt bond authority. The Multifamily Development Division oversaw the closing of \$74 million in bond deals in 2005, almost double the previous record. Unused 2005 tax exempt bond authority, including the year end allocation, will be rolled into the resources available for THDA's single family programs. Lynn Miller, Deputy Executive Director and General Counsel, added that the Agency did receive \$150 million volume cap allocation for 2006 and, in accordance with the Tax-Exempt Bond Authority Program Description that was approved in November, that full amount will be made available for multifamily deals in 2006. There were no comments or questions from the Board members.

The next item on the agenda was the report of the Bond Finance Committee. Ms. Butterworth stated the Committee discussed the establishment of a policy for use of variable rate debt. Staff will come back with a specific policy proposal to the Committee at the March meeting. Ms. Miller advised the Committee as to the Trustee transition from Wachovia to U.S. Bank and the June 2006 expiration of THDA's contract with bond counsel. The Bond Finance Committee directed staff to go forward with an RFP for a bond counsel, but to look out for potential problems in relation to the trustee transition, as well as timing for the next bond issue.

Ms. Butterworth said the Bond Finance Committee also discussed Issue 2006-1. This bond issue would be in the maximum of \$100 million. The Committee approved a plan of financing for Issue 2006-1 and recommends approval of this transaction. By adopting the resolution in the Board packet, the Board will authorize Issue 2006-1 and the Bond Finance Committee will be authorized to carry out the bond issue in accordance with the plan of financing. Upon motion by Ms. Butterworth, seconded by Mr. Rainey, the Board adopted the Board Resolution authorizing Issue 2006-1.

Ms. Butterworth reported the next item was funding for the Davidson County Drug Court. The Bond Finance Committee recommended approval of \$300,000 in funding, however, Ms. Butterworth stated she would defer to the discussion by the Policy & Programs Committee.

Chairman Latimer called for the report of the Policy & Programs Committee next. Mr. Rainey said the first item considered by the Committee was the Housing Cost Index. By statute, THDA is required to calculate a Housing Cost Index, which represents what the average Tennessee household would pay, as a percentage of income, for the average Tennessee house. If the Housing Cost Index exceeds 25%, THDA's enabling legislation provides that the Agency's programs are self-operative. Staff analysis found that, as of January 5, 2006, 27.57% of the average Tennessee household's gross income is needed for housing. Upon the recommendation of the Committee, Mr. Rainey moved that the Board accept the Housing Cost Index calculation of 27.57% for 2006. Mr. Perrey seconded and the motion passed.

Next on the agenda was the Davidson County Drug Court request as described in a memo dated January 9, 2006 from Mr. Fellman to the Committee. Mr. Rainey reported that the Davidson County Drug Court has been awarded a \$300,000 grant from the State to house methamphetamine addicts. The Drug Court is requesting that THDA provide a below market rate construction loan to a selected not-for-profit organization to build the needed housing. The state grant would then be used to repay THDA's loan. The Bond Finance Committee recommended funding in the amount of \$300,000 for this pilot. The Committee recommended to the Board that this be adopted as a pilot. Upon motion by Mr. Rainey, seconded by Mr. Perrey, the Board approved the loan as a pilot. Chairman Latimer recused himself from the discussion and abstained from the vote.

The next item was a request for a waiver of certain requirements under the Multifamily Tax-Exempt Bond Authority Program. Mr. Steve Turgeon, the developer of Springdale in Memphis, asked to have the total development cost cap contained in the 2003 Multifamily Tax Exempt Bond Authority Program Description waived. Based on a memo from staff dated January 10, 2006, the Committee recommends increasing the cap to a maximum of \$110,000, which is the cap for the 2006 program. Upon motion by Mr. Rainey, seconded by Mr. Perrey, the Board approved the Committee recommendation.

The next item was an issue related to the Low Income Housing Tax Credit Program for 2004 and 2005. Mr. Rainey said that there have been a number of conversations with developers who believe that Hurricane Katrina has caused an increase in costs of construction. Most developers stated they need a 10%-15% increase in the amount of Low Income Housing Tax Credits that they have previously been allocated to keep their projects viable. The Committee has asked the staff to draft a recommendation that will provide relief to the developers and to verify, through a creditable outside source, how much construction costs have increased as a result of Hurricane Katrina. Chairman Latimer asked for comments, there were none.

Next on the agenda was the report of the Audit and Budget Committee. Chairman Latimer reported that the Audit and Budget Committee will consider a charter which staff expects to present at the March meeting. The necessity for this document comes from the state legislation that passed last year regarding Audit Committees.

Next item was the State Audit. Mr. Chairman said the audit had not yet been completed; therefore, there is nothing to report at this time.

Chairman Latimer asked Mr. Fellman to report on Other Matters. Mr. Fellman informed the Board members of the NCSHA Legislative Conference that will be held in Washington D.C, on March 6th-8th. Mr. Fellman invited the Board members to attend this conference. Chairman Latimer encouraged members to attend this conference at least once while on the Board of Directors.

The next item was the Strategic Planning Session. Mr. Fellman reported that the strategic planning session has been scheduled for February 16, 2006. Mr. Fellman invited Board members to attend dinner the night before the session. Gerald Reed asked for there to be a way for members who are not able to attend the session to have some input.

Tim Bolding reported on and distributed information regarding Tennessee Anti-Predatory Lending Legislation.

Mr. Fellman introduced the members of THDA's internal Legislative Team as Toni Harris (Team Leader), Lynn Miller, Lorrie Shearon, Bruce Balcom, Renee Ordonez, Deborah Sanders, and Brady Banks. If the Board members have any question regarding what the Agency is doing in regard to the Legislature, Mr. Fellman asked them to contact one of these individuals. Mr. Fellman said this team will be tracking legislation that impacts affordable housing.

Mr. Fellman passed out a booklet titled "Building A Case for HOUSE", and asked the Board members to look over the packet and give their input. Mr. Reed asked if Chairman Latimer was comfortable that the Governor's Office is okay with taking such a strong advocacy position in supporting the legislation for HOUSE. Mr. Fellman explained that there have been meetings with the Governor's Office letting them know that the Agency was providing

information and getting in front of people. Mr. Fellman stated that the Agency is keeping the Governor's Office in the loop.

There was no further business to come before the Board and meeting adjourned.

Respectfully submitted,

Ted R. Fellman
Executive Director

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